



Legislation Text

File #: 13-0523, **Version:** 1

Recommendation to authorize City Manager to purchase through Marsh USA, Inc., the following policies: excess municipal liability insurance for the period of July 1, 2013 through July 1, 2014, for a total premium not to exceed \$1,575,000; airport liability insurance for the period of June 30, 2013 through June 30, 2014, for a total premium not to exceed \$55,000; and, aircraft liability and hull insurance for police helicopters for the period of June 30, 2013 through June 30, 2014, for a total premium not to exceed \$50,000. The total cost of all renewal premiums will not exceed \$1,680,000 for the period of July 1, 2013 through July 1, 2014. (Citywide)

The City annually purchases excess municipal liability, airport liability, and aircraft liability and hull insurance to cover catastrophic exposures arising from general City operations. This coverage is obtained through the City's casualty broker of record, Marsh USA, Inc.

This year's policy for excess municipal liability insurance is expected to provide coverage limits of \$50 million in excess of the City's \$3 million self-insured retention. Coverage for eminent domain, medical malpractice, and pollution contamination is excluded from this policy. However, the policy does include \$25 million in coverage for unfair employment practices, employee benefits liability, and public officials' errors and omissions. The renewal premium will not exceed \$1,575,000, which is 122% increase over last year, however Marsh USA will continue to try to negotiate lower premiums up until the renewal date. Marsh has indicated the increase is due to changes in the California liability market as well as the limited number of carriers willing to take a position in the first layer of insurance. Policy limits and coverage are the same as last year's policy.

The City also maintains limits of \$100 million in airport liability coverage and \$50 million in coverage for liability resulting from terrorist acts. This policy does not have a deductible and the City does not self-insure any of the airport risks covered under this policy. The policy includes extended coverage for international/domestic terrorist acts under the Terrorism Risk Insurance Act (TRIA). The policy also covers personal injury, malpractice, auto and employer's liability. The renewal premium will not exceed \$55,000, which is flat when compared to last year. Policy limits and coverage are the same as last year's policy.

The City maintains limits of \$50 million in aircraft liability and hull insurance, subject to a \$50,589 deductible when the helicopter is in motion for the Police Department's two Eurocopter AS-350 helicopters. The renewal premium will not exceed \$50,000 and is flat when compared to last fiscal year.

This matter was reviewed by Deputy City Attorney Amy Webber on June 4, 2013 and by Budget Management Officer Victoria Bell on June 5, 2013.

City Council action is requested on June 18, 2013, to allow the City to bind insurance coverage by the policy renewal dates.

The total cost of all renewal premiums will not exceed \$1,680,000 for the period of July 1, 2013 through July 1, 2014. Sufficient funding has been budgeted in the Insurance Fund (IS 390) within the Department of Human Resources (HR) for the excess municipal liability and aircraft insurance renewals. The cost of the excess municipal liability policy is allocated to all funds based upon departmental risk and claims experience, with fifty-five (55) percent of the premium allocated to the General Fund. Airport liability insurance is paid directly from and is budgeted in the Airport Enterprise Fund (EF 320) in the Airport Department (AP). The Aircraft Liability insurance is 100 percent allocated to the General Fund (GP) in the Police Department (PD) budget. There is no local job impact associated with this request.

Approve recommendation.

DEBORAH R. MILLS
DIRECTOR OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER